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SUBJECT: SCENESETTER FOR JANUARY 7 VISIT OF CODEL MCCONNELL

REF: STATE 130327

Classified By: Political Counselor Pete O'Donohue for reasons 1.4 b and d

1. (U) Mission Kuwait warmly welcomes the January 7 visit of CODEL McConnell. Ambassador and country team look forward to providing the CODEL with a classified briefing on January 7. Given the brevity of CODEL's stay in Kuwait, no meetings with GOK officials have been arranged.

Kuwait Snapshot

2. (U) Kuwait is a Gulf emirate whose small size (about the size of New Jersey) and population (approximately 1.1 million Kuwait citizens and 2.3 million expatriates) belie its outsize geostrategic importance. Our strong bilateral relationship is founded upon close security ties that have endured since the 1991 liberation of Kuwait from Saddam's Iraq, and are manifested today in Kuwait serving as a key military training and logistical support hub. A major exporter of both capital (over 34 billion USD in outward FDI over the past five years) and proven oil resources in the world), Kuwait also punches above its weight economically. Politically, Kuwait is a constitutional emirate with a freely-elected parliament (including four women MPs, all U.S. PhD holders) and is home to one of the freest medias in the region; many Kuwaitis, and particularly the Kuwaiti elite, have studied or traveled to the United States and visa numbers, after a post-9/11 period of decline, are again on the rise.

U.S. - Kuwait Security Relations

3. (C) Kuwait's backing of OIF and OEF has come in the form of both financial support and a very permissive operating environment. Kuwaiti support for the U.S. military presence has included, in material terms alone, over USD 1.2 billion annually in such benefits as free access to bases, waived port and air support fees, customs waivers, subsidized fuel and other services. Kuwait also provides the U.S. military with essentially open access to ten bases, including two air bases (Ali Al Salem Air Base and Al Mubarak Air Base at Kuwait City International Airport, five land bases (Camps Arifjan, Buehring, and Virginia, plus access to a Life Support Area facility located on Ali Al Salem Air Base -- which serves as the primary ARCENT hub for moving U.S. forces to CENTCOM forward-deployed bases -- and the joint U.S./Kuwait Khabari border crossing facility, which streamlines convoy operations into and out of Iraq), two port facilities (Kuwait Naval Base and Shuaybah Port), and a Defense Distribution Depot, a 100 acre warehouse complex which facilitates, on average, 1.4 million shipments per year of military equipment. Camp Buehring, notably, serves as a venue for U.S. Army/Marines "spin-up" training prior to

deployment to Iraq (and, on occasion, Afghanistan) and serves, as well, as a location where joint exercise training is conducted involving U.S. and Kuwaiti forces. Kuwait also provides U.S. forces with access to its 2,250 sq/km Udairi Range facility, considered one of the world's best venues for land/air live-fire and combined arms combat training. Approximately 90,000 U.S. military personnel per year utilize this facility for live-fire training purposes.

¶4. (C) At present, over 20,000 U.S. military personnel (including some 5,000 contractors) are located at bases and facilities in Kuwait, with the bulk at Camp Arifjan. GOK support for the presence of these personnel has been essential to our ability to conduct OIF and has enhanced our ability to conduct operations in the Afghanistan/Pakistan theater. In CY 2008 alone, some 1,750,000 U.S. forces transited through Kuwait, either en route to Iraq or other deployment locations or back to the U.S., utilizing Kuwaiti bases and benefitting from Kuwaiti provided fuel and services. The Embassy-based Office of Military Cooperation-Kuwait (OMC-K) facilitates training of Kuwaiti military counterparts and conducts an extensive Foreign Military Sales (FMS) program. At present, the U.S. has over 125 active FMS cases with Kuwait amounting to over USD 8.1 billion in value. U.S. military operational flexibility in Kuwait has been largely governed by the favorable terms of a Defense Cooperation Agreement (DCA) with the GOK signed in 1991 and extended for ten years in 2001; the GOK has indicated it may want to re-negotiate aspects of the present agreement when the present agreement concludes in 2011.

Support on Regional Issues

¶5. (C) A key Gulf-region ally, Kuwait has been a generally helpful interlocutor on the Middle East Peace Process and Iran, and has been increasingly responsive to our concerns on terrorism. While deeply concerned about perceived Israeli intransigence on the settlements issue and the status of Jerusalem, Kuwait has been supportive of the Palestinian Authority's role as the sole Palestinian interlocutor on the peace process and has contributed assistance to support the PA. On Iran, Kuwait is worried about Iran's nuclear intentions, but equally fears that any attack on Iranian nuclear facilities would have disastrous consequences for Kuwait, Iran's close neighbor. Kuwait, therefore, regularly urges caution and dialogue on the nuclear issue, while publicly and privately urging Iran to work with the international community and abide by IAEA safeguards.

Economic Issues: Oil and Investment -----

¶6. (C) Kuwait has the third largest economy in the GCC, behind Saudi Arabia and the UAE. It is a major oil producer, holding from 8-9 percent of the world's proven oil reserves and has an economy which is heavily dependent on oil exports (including considerable exports to the U.S.). On the oil front, Kuwait plans to invest approximately \$80 billion over the next five years (divided between upstream and downstream) to raise its oil production capacity from a current 3 million barrels per day to 4 million barrels per day by 2020. Kuwait is a major international investor, with its Sovereign Wealth Fund, the Kuwait Investment Authority managing over \$200 billion in assets. Although KIA does not disclose its asset allocation strategy, it is a major investor in the U.S. (as are Kuwaiti private sector investors); KIA has in the past been willing to step in to invest in major but potentially troubled financial services companies as a means of helping restore confidence in and maintain international financial equilibrium. With the exception of Dow Chemical and CitiGroup, there is little U.S. direct investment in Kuwait, in part as a result of the fact that the oil sector is closed to direct foreign investment by constitutional writ, and in part because Kuwait's markets and tendering processes are less than fully transparent.

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